Ministry of Finance
Tashichhodzong
Thimphu, Kingdom of Bhutan

Re: Decentralized Rural Development Project
Amendment to the Development Credit Agreement (Cr. 4040 - BHU)

Dear:

We refer to the Development Credit Agreement dated March 24, 2005, between the International Development Association (the Association) and Kingdom of Bhutan (the Borrower) for the above mentioned Project (the Agreement). We also refer to our recent discussions on the provision of additional financing to this project though a Food Price Crisis Response Trust Fund grant.

As agreed, the Agreement needs to be amended to: (a) extend its closing date and (b) revise the description of the project to include the new activities to be financed with the additional financing provided through the Food Price Crisis Response Trust Fund Grant Agreement. We propose to amend the Agreement as follows:

1. The following definitions are inserted in Section 1.01 of the Agreement and the other definitions are renumbered accordingly:

"Co-financing" means the co-financing to be provided through a grant from the Food Price Crisis Response Trust Fund to supplement the financing of Parts A.1 (i) and (iv), Part B.2, and Part C.

2. Section 2.03 of the Agreement is amended as follows:

"Section 2.03. The Closing Date shall be December 30, 2013, or such later date as the Association shall establish. The Association shall promptly notify the Borrower of such later date."

3. Part A.1 (i) of Schedule 2 to the Agreement is amended as follows:

"(i) (a) construction of about ninety-five (95) kilometers of farm roads and one (1) motorable bridge and (b) rehabilitation of about fifteen (15) kilometers of farm roads;"

4. Part A.1 (iii) is of Schedule 2 to the Agreement is deleted.

5. Part A.1 (iv) of Schedule 2 to the Agreement is renumbered (iii) and amended as follows:
“(iv) construction of about forty-five (45) kilometers and rehabilitation of about three hundred and ninety three (393) kilometers of irrigation channels.”

6. Part B of Schedule 2 to the Agreement is amended as follows:

“Part B: Renewable Natural Resources Centers and Support for Improved Technologies and Marketing of Rice and Maize

1. Carrying out of construction of about six (6) Renewable Natural Resources Centers in selected Geogs.

2. Provision of training for research and extension staff and farmers, including farmer-to-farmer field visits, and carrying out of demonstrations of high value crops and food crops (potato, maize and rice), livestock-raising practices and support for new agricultural technologies, including seeds and post-harvest technologies, in selected Geogs.”

7. The last line in Schedule B to the Agreement is deleted.

Except as specifically amended hereby, all other provisions of the Agreement remain in full force and effect.

Please confirm your agreement with the terms of this letter of amendment by countersigning and dating the form of confirmation below and returning one signed original copy of this letter for our files. Upon receipt of a duly countersigned copy of this letter of amendment, this letter of amendment shall be deemed effective as of the date of countersignature.

Very truly yours

/s/ Nicholas Krafft
Country Director, Bhutan
South Asia Region

AGreed:

KINGDOM OF BHUTAN

By: Wangdi Norbu
Title: Finance Minister
Date: 21/03/2011